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OFFICE OF THE SECRETARY

September 10, 1998

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: Ex Parte Notice
CC Docket No. 97-211 (Applications of WorldCom and MCI for Transfer of Control of MCI to WorldCom)

Dear Ms. Salas:

Today the attached letter from Morton Bahr, President, Communications Workers of America was sent to Chairman William Kennard and parties noted below.

In accordance to the Commission's rules, I submit an original and one copy of this notice.

Sincerely,

Debbie Goldman

Debbie Goldman, Research Economist
Research and Development Department

cc: Commissioner Susan Ness
Commissioner Gloria Tristani
Commissioner Michael Powell
Commissioner Harold Furchtgott-Roth
Thomas Power
Thomas Krattenmaker
James L. Casserly
Paul Gallant
Kyle Dixon
Paul Misener
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Morton Bahr
President

BY FAX AND HAND DELIVERY

September 10, 1998

The Honorable William E. Kennard, Chairman
Federal Communications Commission
1919 M Street, NW, Room 814
Washington, D.C. 20554

Re: In the Matter of Applications of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to WorldCom, Inc. CC Docket No. 97-211

Dear Chairman Kennard:

As the Commission concludes its review of the proposed MCI-WorldCom merger, the Commission has the opportunity to reaffirm the high public interest review standard it set in its Bell Atlantic/NYNEX merger order. Based on the voluminous record compiled in the MCI-WorldCom proceeding, it is clear that MCI and WorldCom have failed to meet that "burden of proof" public interest standard.

MCI and WorldCom have based their public interest showing in this merger review on the argument that the merged MCI-WorldCom will be a more effective competitor in local exchange markets serving all customer segments. Yet, throughout this proceeding, MCI and WorldCom have failed to provide to the Commission concrete documentation to demonstrate that the merged entity will indeed compete in the residential local exchange market. Furthermore, MCI and WorldCom have failed to document their contention that the merger will lead to job growth.

Therefore, CWA believes that the Commission's final Order in this proceeding must establish concrete mechanisms that will hold MCI-WorldCom accountable to ensure direct consumer benefit and no reduction in employment as a result of the proposed merger.

CWA's ex parte comments of August 5, 1998 and August 21, 1998 propose that the Commission condition approval of the proposed merger upon the following: 1) MCI and WorldCom commit to channel a minimum of $1 billion of the merger-related administrative and access charge bypass savings to consumer benefit through a dedicated contribution to the Commission's universal service support program; and 2) MCI-WorldCom make a commitment to no lay-offs in the four years after the merger.

On the first point, CWA emphasizes that MCI and WorldCom have consistently failed to provide concrete evidence of business plans to invest in the residential local market. Nowhere in the voluminous record compiled over the past nine-month period do MCI and WorldCom state the dollar amount they plan to invest, the markets they plan to target, or the number of switches and/or fiber miles they plan to deploy in the local exchange residential market. Absent such documentation, the Commission has no evidence that MCI-WorldCom will indeed implement the vague promises that they have made to the Commission regarding the local residential market. (In contrast, in their initial filing with the Commission, SBC-Ameritech state that the merged SBC-Ameritech will deploy 80 additional switches in the 30 identified out-of-region markets, at an initial investment of $2 billion additional dollars, to serve residential and small business customers within the first year of the implementation of its National-Local Strategy.[1] This is an example of a concrete business plan; one that has never been provided to the Commission by MCI and WorldCom.)

Bernard Ebbers and Bert C. Roberts sent the Commission on August 14, 1998 an ex parte letter designed to "dispel concerns raised about the intent of MCI-WorldCom to provide local telecommunications services to residential consumers." (emphasis added) But the letter merely substitutes vague promises of "intent" for a description of concrete business plans, which would indicate that the merged entity does indeed plan to invest capital and human resources to compete for residential consumers in the local exchange.

In their August 14, 1998 letter, Mr. Ebbers and Mr. Roberts quote from the loophole-filled letter that they sent to you on

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[1] Application of Ameritech Corporation and SBC Communications Inc. for Authority to Transfer Control of a License Controlled by Ameritech, CC Docket 98-141, Exhibit 2, July 24, 1998, 16.

January 26, 1998.[2] They repeat that the "merged entity will have every incentive to offer them (MCI's long distance residential customers) a total package, including local and long distance services..." (emphasis added) Furthermore, Mr. Ebbers and Mr. Roberts state that the "combined company will have every incentive to expand MCI's current local service offering to attract new customers..." In the conclusion of their August 14 letter, Mr. Ebbers and Mr. Roberts repeat that "MCI-WorldCom will have a strong business incentive to offer local services to MCI's existing residential subscribers." (emphasis added)

Mr. Ebbers' and Mr. Roberts' choice of words is deliberate. They simply affirm intentions and incentives, but do not make firm commitments which are legally binding and to which the Commission can hold the merged entity accountable. Rather, Mr. Ebbers and Mr. Roberts simply affirm their commitment "to accelerate the residential local service efforts which the companies individually already have in motion." They cite two small efforts: in Grand Rapids, Michigan and MDU's in New York City. They do not state how much, how fast, in how many markets, nor with how many dollars they will "accelerate" these small efforts. Mr. Ebbers and Mr. Roberts could fulfill this commitment to "accelerate" these tiny efforts with an equally tiny investment of capital and human resources.

Similarly, MCI and WorldCom have told the Commission that the merger will create jobs because the merged company will grow. Nowhere do MCI and WorldCom make firm commitments to employment growth. In fact, CWA estimates that the merged entity will have to lay off 10,000 employees to meet its cost-cutting administrative expense targets.[3] A new report by Paine Webber estimates that MCI will eliminate 4,000 to 6,000 positions in the first year after the proposed merger.[4]

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[2] Joint Reply of WorldCom, Inc. and MCI Communications Corporation to Petitions to Deny and Comments, CC Docket No. 97-211, 19-20 (filed Jan. 26, 1998).

[3] CWA Ex Parte, August 5, 1998, 6.

[4] Paine Webber, "WorldCom, Inc.," Sept. 2, 1998, 3.

On both these issues, MCI and WorldCom fail to meet the Bell Atlantic/NYNEX merger review burden of proof standard that the merger is in the public interest.

Therefore, CWA believes the Commission must condition the merger upon the two conditions noted earlier in this letter. This will provide a mechanism by which the Commission can ensure direct consumer benefit and protect against harm to MCI and WorldCom employees as a result of the merger.

Sincerely,

Morton Bahr
President

cc: Commissioner Susan Ness
Commissioner Gloria Tristani
Commissioner Michael Powell
Commissioner Harold Furchtgott-Roth
Thomas Power
Thomas Krattenmaker
James L. Casserly
Paul Gallant
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